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Legislative Testimony of Sunnova Energy Corporation
Planning and Development Committee
February 3, 2021

Regarding [House Bill 6106](#)
AN ACT CONCERNING THE PROPERTY TAX EXEMPTION FOR CERTAIN
RENEWABLE ENERGY SOURCES AND NONRESIDENTIAL HYDROPOWER
FACILITIES

Dear Co-Chairs McCarthy Vahey and Cassano, Ranking Members Hwang and Zullo, Vice Chairs Needleman and Goupil, and distinguished members of the Planning & Development Committee:

Sunnova Energy Corp. supports House Bill 6106. Founded in 2012 and headquartered in Houston, Texas, Sunnova is a leading U.S. residential solar electricity and battery storage service provider, and is presently a leading market participant in the Connecticut residential solar market.

The majority of residential photovoltaic (PV) solar electricity systems deployed by Sunnova in Connecticut have been under either a power purchase agreement (PPA) or lease, between Sunnova and Connecticut residential property owners. For systems deployed under a PPA, Sunnova sells to the homeowner all electricity produced by the PV system at a predetermined per-kilowatt hour-rate. For systems deployed under a lease arrangement, the residential property owner rents the PV system from Sunnova at a predetermined rate and receives the benefit of any electricity generated by the PV system. Under both PPA and lease arrangements, PV systems are installed, serviced and maintained at no cost to the residential property owner, and Sunnova retains ownership of the PV system. This “third-party ownership” model allows Connecticut residents, who could not otherwise afford the upfront costs of purchasing and installing a PV system for their home, to have access to the environmental and economic benefits of renewable solar energy.

Under the third-party ownership model, the per-kilowatt hour-rate in each PPA, and the rental rate in each lease, is determined, in part, with the expectation that the PV system is exempt from local personal property taxes by virtue of Connecticut General Statutes § 12-81(57), such that neither Sunnova nor the residential property owner will be responsible for the payment of local property taxes assessed on the PV system. The tax exempt status of Sunnova-owned PV systems in Connecticut is a crucial factor in Sunnova’s ability to offer to its potential customers PPA rates and lease rates which are economically attractive when compared to the retail cost of electricity available from Connecticut’s public utility companies. The economic feasibility of Sunnova’s continued participation in Connecticut’s residential solar market is, therefore,



dependent on the tax-exempt status of Sunnova-owned PV systems located in Connecticut municipalities. Conversely, the assessment of local property taxes on Sunnova-owned PV systems in Connecticut will limit and impede Sunnova's future deployment of PV systems statewide, and would do so at a time that Connecticut's sister states, such as Washington, Hawaii, California, New Jersey and the District of Columbia, and the governors of Colorado, Puerto Rico and New York, have embraced policies which commit to a goal of achieving 100% renewable, carbon-free and/or clean energy, and rebuked attempts to implement changes to state net-metering laws and policies that would undermine the advancement of state renewable energy goals by imposing charges on net-metering customers.

Presently, thirty three (33) states exempt PV systems from property taxes, reflecting a common understanding among Connecticut's sister states that such tax exemptions encourage and advance the deployment of renewable energy systems. Until 2016, Sunnova-owned PV systems in Connecticut were uniformly treated as tax exempt, pursuant to Connecticut General Statutes § 12-81(57)(A), by the tax assessors for the municipalities in which Sunnova's PV systems are located. Prior to 2007, C.G.S. § 12-81(57) provided local tax assessors the option of granting a tax exemption for residential Class 1 Renewable Energy Sources located in Connecticut, including residential PV systems. In 2007, through Public Act 07-242, C.G.S. § 12-81(57)(A) was amended to convert the tax exemption for residential Class 1 Renewable Energy Sources to a *mandatory* exemption.

Beginning with the Grand List assessments for 2016, a handful of local tax assessors have disregarded the tax exemption applications filed for PV systems owned by Sunnova and its subsidiaries, ignored the mandatory tax exemption currently provided for by the language of C.G.S. § 12-81(57)(A), and/or assessed taxes upon Sunnova's PV systems located within their respective municipalities. These local tax assessors have continued to do so for the 2017 through 2019 Grand Lists as well. The factual and/or statutory grounds relied upon by these assessors in refusing tax exemptions for the subject PV systems are unclear. These assessors have, however, suggested that, notwithstanding that the PV systems are located on and provide electricity to residential properties, the same do not qualify as tax exempt pursuant to C.G.S. § 12-81(57)(A) because such PV systems produce electricity which, if not consumed by the residence, enters the utility company's electric grid, thereby entitling the residential property owner to net-metering credits; because such PV systems are not owned by the residential property owner; and/or because such PV systems are "business property" owned by Sunnova and/or its subsidiaries. As explained in the attached letter from Senate Majority Leader Bob Duff, who was the chairman of the Energy and Technology Committee at the passage of 2013 amendments to C.G.S. § 12-81(57)(D) (pertaining to exemptions for commercial solar energy systems), the legislature's intent was to provide a property tax exemption for all "behind-the-meter" solar energy systems, whether owned by the homeowner or installed their residence via a third-party-ownership lease or power purchase agreement. Further, it was not the intent of the legislature that tax exemptions be denied because of net-metering participation or ownership requirements not contained in the language of C.G.S. § 12-81(57). Nor is it the intent of the legislature that tax exemptions be denied for residential PV systems which, on and after January 1, 2022, are generating electricity



that is purchased by the utility company on a cents-per-kilowatt-hour basis tariff program pursuant to C.G.S. § 16-244z(b)(2), as recently amended by Public Act 19-35.

Sunnova supports H.B. 6106 as a clarification to the language presently contained in C.G.S. § 12-81(57)(A), which will eliminate any uncertainty as to whether Sunnova's PV systems, and other residential Class 1 Renewable Energy Sources which provide renewable energy for residential purposes, are tax exempt. H.B. 6106 will further clarify that such PV systems are tax exempt notwithstanding that the same are not owned by the owner of the residential property on which such PV systems are located, that such PV systems produce electricity which qualifies for net-metering credits in favor of the owner of the residential property on which such PV systems are installed, or that such PV systems generate electricity which is purchased by the utility from the residential customer on a cents-per-kilowatt-hour basis tariff pursuant to C.G.S. § 16-244z(b)(2).

Thank you for your consideration of Sunnova's testimony on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Meghan Nutting". The signature is fluid and cursive, with the first name "Meghan" and last name "Nutting" clearly distinguishable.

Meghan Nutting
Executive Vice President of Policy and Communications
Sunnova Energy Corp.